

BANK OF AMERICA

NATIONAL TRUST & ASSOCIATION
SAVINGS
CALIFORNIA

J A N U A R Y , 1 9 4 0

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CORP. FILE

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Bank of America National Trust and Savings Association

Is the fourth largest bank in the United States; largest bank outside of New York City; eighth largest bank in the world.

Carries the largest total of loans and discounts of any bank in the United States.

Has the largest number of savings accounts.

Operates the largest number of branches.

Is the largest lender on Federal Housing Administration loans.

Has the largest number of depositors' accounts.

Has the largest number of stockholders of any bank in the United States.

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BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION

History

On October 17, 1904, A. P. Giannini opened a bank, in one room of a building in San Francisco, with \$150,000 capital and surplus, and barely \$200,000 in total resources. Today, known throughout the world, Bank of America National Trust and Savings Association has total resources of over \$1,600,000,000; capital stock of \$50,000,000 and surplus and undivided profits of over \$66,000,000.

The ability, integrity and personality of Mr. Giannini contributed in great measure to the rapid growth of the Bank. His policy after the disaster of 1906 gained a host of friends for his Bank. He aided in removing the records and money from the burning bank building; then, from new quarters, he lent freely to victims of the fire.

Deposits and resources increased rapidly after that year. The Bank established its first branch in the "money panic" year of 1907. From 1909 onward, many branches were established, or acquired by merger with other banks. Tables on page 9 tell a story of exceptional growth. This growth was unchecked until the depression years—1930, 1931 and 1932—but the gains were resumed in 1933. During 1939 the Bank established new records in its history for total resources, deposits, loans and earnings before adjustments. The number of depositors and borrowers at the end of 1939 also established new high records.

Branch Banking

Bank of America was the pioneer of branch banking in the United States, providing to small communities the service and efficiency of cosmopolitan banking, thereby contributing considerably to the development of those communities. Today, with 495 branches (in 307 communities in California) it has more branches than any other bank in the United States.

Loan Policy

The policy of Bank of America from its inception in 1904 has been to "provide the soundest type of credit best suited to the need of every individual and of every established business no matter how large or small."

This policy resulted in the Bank's actually advertising for good borrowers in 1907 during the "money panic" when it was one of the few banks paying out gold on demand.

First Place in Loans

At the end of 1939, Bank of America reported a larger total of Loans and Discounts than any bank in the United States. A comparative table on page 11 shows the loans of Bank of America and certain other large banks.

Diversification of Loans

Bank of America is in an excellent position to lend its funds in line with the seasonal demands of agriculture, mining, commerce and industry.

Due to the climatic characteristics of California, sections of the State may be preponderantly depositors of funds at a time when other sections of the state may be preponderantly borrowers. Through its state wide system of branches, Bank of America is in a position efficiently to create a flow of funds from section to section and from depositor to borrower, filling every banking need of the citizenry of California.

The diversification of the Bank's loans is evidenced by the fact that it lends to the following industries in California—wine, fish, fruit, moving picture, building and construction, petroleum, lumber, cement, canning, cotton, wheat, chemical, poultry, dairy products, shipping, mining and aviation. As an example, Bank of America engages in financing agriculture from the seed, through harvesting, jobbing and final collection of invoices against bills of lading on shipment to all parts of the world.

Bank of America's lending activities fall in three broad classifications, namely Real Estate loans, Instalment Credit loans and Commercial loans. The total of loans outstanding at December 30, 1939 was \$711,054,696.

Real Estate loans outstanding at December 30, 1939 amounted to \$395,117,000. Of this total, \$152,005,000 are insured with the Federal Housing Administration. The Bank's average real estate loan is about \$4,000, another example of its policy of diversification. Approximately 89% of all real estate loans are on city property, of which in turn approximately 67% are on residences.

Instalment Credit loans at December 30, 1939 accounted for \$118,385,836 of the total loans outstanding. The instalment credit loan department which was started by the Bank in 1929 has shown rapid growth, and contributes considerably to the earnings of the Bank. The instalment credit loan total is largely made up as follows:

Automobile loans numbered 135,683 for a total of \$44,700,000—an average loan of about \$330. Modernization loans numbered 57,854 for a total of \$34,000,000—an approximate average loan of \$590. There were 144,328 personal loans outstanding totaling \$17,000,000—an average of about \$120 per loan, while Household Equipment loans numbered 111,460 for a total of \$12,350,000 averaging about \$110 per loan. Losses on Instalment Credit loans during 1939 amounted to but 15/100ths of 1% of total loans repaid, while losses since 1929 averaged but 13/100ths of 1% of total loans repaid.

Commercial loans for the development of agriculture, business and industry generally and ranging from moderate amounts in the case of individual operations to millions in the case of large industries, amounted to \$201,159,000 outstanding at December 30, 1939.

Earnings

Net earnings available for dividends of Bank of America reported in recent years have steadily increased until the year 1939, when a valuation reserve of \$5,355,834.16, representing 100% of the balance of certain foreign credits was set apart thus reducing net earnings available for dividends from \$4.44 a share to \$3.10 a share.

Bank of America being predominately a savings institution, naturally makes more time loans than the ordinary commercial bank and thereby receives a higher average rate of interest. At the end of 1939 the Bank had just under \$840,000,000 in savings and time deposits.

Investment Merit.

Bank of America stock has strong investment appeal.

Statistics of this and certain other large banks follow.

Bank of America stock provides an excellent return based on an annual dividend rate for the past two years of \$2.40 per share.

The Securities and Exchange Commission, on November 25, 1938, released an order for a public hearing under Section 19 (a) (2) of the Securities Exchange Act of 1934 to determine whether the registration of Transamerica Corporation capital stock should be suspended or withdrawn. Bank of America is not a party to this proceeding, but several of the allegations in the order deal with the Bank's earnings statements and balance sheets for the periods and to the extent involved in such proceedings. The case is still pending and undetermined. A complete copy of the order may be obtained from the Securities and Exchange Commission, Washington, D. C. To the extent that the allegations of the Securities and Exchange Commission with respect to Bank of America are finally determined to be well-founded, the statements of condition and earnings contained in this circular, for the periods affected thereby, should be appropriately adjusted to give due effect thereto.

The information contained in statistical tables 1 to 11 inclusive was obtained from—(1) Reports of Bank of America National Trust and Savings Association, and official statements of various other banks; (2) Standard Statistics Co., Inc. services; (3) Fitch Publishing Co. services; (4) Other recognized financial services.

New York, January 22, 1940

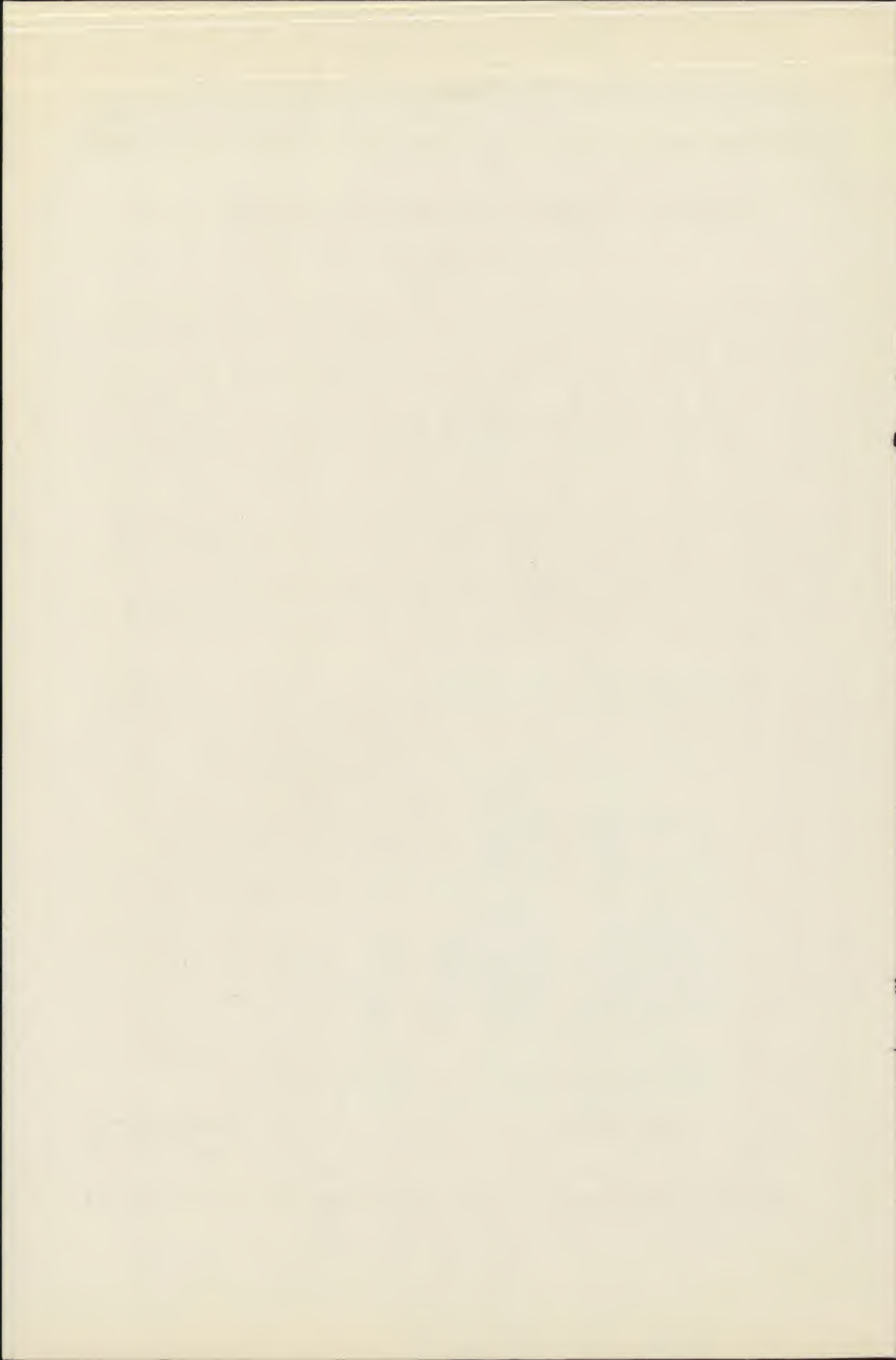


TABLE 1

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION

CONDENSED STATEMENT OF CONDITION DECEMBER 30, 1939

RESOURCES

Cash in vault and in Federal Reserve Bank.....	\$ 159,684,750.15
Due from Banks.....	88,581,164.01
Securities of the United States Government and Federal Agencies	434,691,060.77
State, County and Municipal Bonds	130,542,539.24
Other Bonds and Securities	36,245,071.32
Stock in Federal Reserve Bank	2,790,000.00
Loans and Discounts	711,054,696.57
Accrued Interest and Accounts Receivable	7,359,920.15
Bank Premises, Furniture, Fixtures and Safe Deposit Vaults...	31,530,765.10
Other Real Estate Owned	7,182,032.53
Customers Liability on Account of Letters of Credit, Accep- tances and Endorsed Bills	18,281,457.98
Other Resources	642,819.95
Total Resources	\$1,628,586,277.77

LIABILITIES

Capital	\$ 50,000,000.00
Surplus	44,000,000.00
Undivided Profits	22,845,841.75
Reserves	2,007,523.83
Reserve for Interest, Taxes, Etc.	391,657.92
Reserve for Interest Received in Advance	7,733,706.57
Liability for Letters of Credit and as Acceptor, Endorser or Maker on Acceptances and Foreign Bills.....	18,815,871.91
Deposits Demand	642,792,093.41
Savings and Time	839,999,582.38
	1,482,791,675.79
Total Liabilities	\$1,628,586,277.77

This Statement includes the figures of the London, England, Banking Office: 12 Nicholas Lane, E. C. 4.

TABLE 2

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION

1939 INCOME ACCOUNT

The main items of the Bank of America National Trust and Savings Association income account for the year ending December 30, 1939, are summarized from the President's annual report to the stockholders, as follows

Income from loans	\$37,151,990.80	
Income from security investments	25,390,999.07	
Income from service charges, trust fees, recoveries, and miscellaneous	9,370,027.27	\$71,913,017.14
<hr/>		
Salaries and other payments for per- sonal services	\$16,509,558.26	
Interest paid to depositors	12,473,399.66	
Taxes and Federal deposit insurance assessments	5,322,059.62	
Other operating costs	9,277,549.91	43,582,567.45
<hr/>		
Earnings		\$28,330,449.69
Reserved for depreciation of banking premises, etc. and amortization of bond premiums, etc.	\$ 4,381,312.36	
Reserved for reduction of asset carrying values	4,999,927.07	
Profit sharing bonus to employees	1,206,134.20	10,587,373.63
<hr/>		
Earnings before non-recurring charge and dividends		\$17,743,076.06
Special non-recurring charge to provide a valuation reserve of 100% against certain foreign credits on substantially all of which interest is currently being paid, but which may be affected by the war		5,355,834.16
<hr/>		
Net available for dividends		\$12,387,241.90
Dividends		9,600,000.00
<hr/>		
Added to surplus and undivided profits		\$ 2,787,241.90

TABLE 3

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION
EARNINGS PER SHARE IN RECENT YEARS

Earnings per share of Bank of America National Trust and Savings Association have been reported as follows:

	Net before Adjustments	Net after all Adjustments
1935	\$ 4.07	\$ 2.43
1936	5.63	3.04
1937	4.80	3.22
1938	6.41	3.64
1939	7.08	3.10*

The above earnings are figured upon the present capitalization of 4,000,000 shares. The only change in the capital stock during the above years was the two for one split-up in 1937 when the par value was reduced from \$25 to \$12.50 per share.

* After a special non-recurring charge in the amount of \$5,355,834.16, equivalent to \$1.34 per share, representing a valuation reserve of 100% against certain foreign credits. Had European affairs not created the necessity for this special charge, 1939 earnings would have been \$4.44 per share.

TABLE 4

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION
DIVIDEND RECORD

The first dividend was paid in 1905, fourteen months after the bank opened for business. The bank paid a dividend in every year from 1905 to 1939, inclusive, with the single exception of 1932.

The dividend record in recent years has been:

1935 — \$ 1.50 per share
1936 — \$ 2.00 "
1937 — \$ 2.20 "
1938 — \$ 2.40 "
1939 — \$ 2.40 "

The per share dividends are on a basis of the present capitalization of 4,000,000 outstanding shares.

The dividend dates are:

Ex-dividend — March 15, June 15, September 15, December 15.

Payable — March 31, June 30, September 30, December 31.

TABLE 5

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION

THE GROWTH OF DEPOSITS
AND
SURPLUS AND UNDIVIDED PROFITS

December 31	Number of Depositors	Total Deposits	Surplus and Undivided Profits
1904	—	\$ 134,413	\$ 1,203
1905	—	703,024	10,000
1906	—	1,348,723	31,564
1907	—	1,660,324	46,945
1908	—	1,728,898	78,673
1909	—	2,929,494	90,820
1910	—	5,348,151	150,000
1911	—	7,129,456	201,649
1912	—	9,916,018	251,437
1913	—	14,226,242	330,389
1914	—	16,272,563	350,217
1915	—	20,474,872	374,243
1916	90,683	36,804,775	691,452
1917	114,000	72,044,728	1,100,000
1918	161,626	85,937,839	2,000,000
1919	189,511	127,258,625	2,500,000
1920	221,788	140,993,545	3,913,240
1921	291,994	177,867,610	5,036,948
1922	401,798	229,751,526	7,529,844
1923	485,136	276,548,879	8,616,832
1924	550,097	328,963,919	10,561,577
1925	601,370	389,433,242	13,474,172
1926	626,046	416,656,511	16,928,034
1927	1,290,315	645,002,139	25,540,829
1928	1,456,954	698,435,840	55,756,633
1929	1,500,000	893,892,733	58,251,158
1930	1,798,414	998,039,477	54,136,374
1931	1,740,087	749,796,772	54,290,312
1932	1,525,707	700,447,811	49,890,774
1933	1,534,585	767,817,646	49,591,605
1934	1,614,199	978,332,801	47,164,341
1935	1,717,367	1,155,265,464	50,867,307
1936	1,941,733	1,298,976,759	55,024,112
1937	2,123,057	1,357,378,756	59,104,964
1938	2,200,798	1,437,027,491	64,058,600
1939	2,300,000	1,482,791,676	66,845,842

TABLE 6

**TOTAL RESOURCES AND DEPOSITS
OF LEADING AMERICAN BANKS**

Rank in the United States	Total Resources as of December 30, 1939	Total Deposits as of December 30, 1939
1 Chase National Bank of New York . . .	\$3,085,819,058	\$2,803,730,326
2 National City Bank of New York . . .	2,509,395,688	2,331,257,944
3 Guaranty Trust Company of New York . . .	2,401,634,265	2,088,427,346
4 BANK OF AMERICA NATIONAL TRUST & SAVINGS ASSOCIATION . . .	1,628,586,278	1,482,791,676
5 Continental-Illinois National Bank and Trust Company of Chicago . . .	1,441,154,119	1,324,094,604
8 First National Bank of Chicago . . .	1,128,162,603	1,053,424,363
10 First National Bank of Boston . . .	847,335,843	739,025,407
16 Security-First National Bank of Los Angeles	646,051,208	580,438,058
17 Philadelphia National Bank . . .	617,897,472	564,345,441
18 National Bank of Detroit . . .	497,696,672	462,313,299
21 Cleveland Trust Company . . .	404,997,967	368,129,231
25 Union Trust Company of Pittsburgh . . .	377,134,733	277,159,158

TABLE 7
LOANS AND DISCOUNTS
OF LEADING AMERICAN BANKS

	Loans and Discounts as of December 30, 1939
Chase National Bank of New York	\$646,599,986
National City Bank of New York	539,077,206
Guaranty Trust Company of New York	502,163,452
BANK OF AMERICA NATIONAL TRUST &	
SAVINGS ASSOCIATION	711,054,697
Continental-Illinois National Bank & Trust Company of Chicago	146,720,995
First National Bank of Chicago	250,399,294
First National Bank of Boston	288,106,368
Security-First National Bank of Los Angeles	247,424,942
Philadelphia National Bank	75,045,672
National Bank of Detroit	68,217,885
Cleveland Trust Company	131,770,476
Union Trust Company of Pittsburgh	141,863,865

Mortgage loans and overdrafts are included in the above figures.

Bank of America took first place in the United States, in the total lending figures.

TABLE 8

SECURITY INVESTMENTS OF LEADING AMERICAN BANKS

	In Securities of U. S. Government*	In State and Municipal Securities	In Other Securities	Total Securities Investments
Chase National Bank of New York	\$826,186,016	\$115,818,216	\$135,271,736	\$1,077,275,968
National City Bank of New York .	787,779,980	107,874,137	63,123,004	958,777,121
Guaranty Trust Company of New York	737,400,979	57,848,399	26,378,613	821,627,991
BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSO- CIATION	437,481,061	130,542,539	36,245,071	604,268,671
Continental-Illinois National Bank & Trust Company of Chicago .	610,336,253	—	62,475,594†	672,811,847
First National Bank of Chicago . .	372,001,177	—	76,949,143†	448,950,320
First National Bank of Boston . .	120,480,310	22,321,623‡	—	142,801,933
Security-First National Bank of Los Angeles	165,115,972	55,083,003	22,379,886	242,578,861
Philadelphia National Bank . . .	172,283,134	15,846,873	51,519,182	239,649,189
National Bank of Detroit	198,090,052	—	18,072,351†	216,162,403
Cleveland Trust Company	108,148,065	10,015,606‡	—	118,163,671
Union Trust Company of Pittsburgh	146,643,687‡	—	—	146,643,687

All figures are as of December 30, 1939

* Including stock of the Federal Reserve Bank.

† Including state and municipal securities.

‡ Including other securities.

TABLE 9

PERCENTAGE SUMMARY OF LEADING AMERICAN BANKS

	TOTAL RESOURCES IN		
	Cash	Securities	Loans
Chase National Bank of New York	42%	35%	21%
National City Bank of New York	38%	38%	21%
Guaranty Trust Company of New York . .	43%	34%	21%
BANK OF AMERICA NATIONAL TRUST & SAVINGS ASSOCIATION	15%	37%	44%
Continental-Illinois National Bank & Trust Company of Chicago	42%	47%	10%
First National Bank of Chicago	37%	40%	22%
First National Bank of Boston	46%	17%	34%
Security-First National Bank of Los Angeles	21%	38%	38%
Philadelphia National Bank	48%	39%	12%
National Bank of Detroit	42%	43%	14%
Cleveland Trust Company	34%	29%	33%
Union Trust Company of Pittsburgh . . .	22%	39%	38%

All figures are as of December 30, 1939

It will be noted that of these banks, Bank of America had the largest percentage of resources in loans.

TABLE 10
CAPITAL, AND SURPLUS AND UNDIVIDED PROFITS
OF LEADING AMERICAN BANKS

	Common Stock	Surplus and Undivided Profits	Total Capital Funds*
Chase National Bank of New York	\$100,270,000	\$133,291,785	\$233,561,785
National City Bank of New York .	77,500,000	67,518,584	145,018,584
Guaranty Trust Company of New York	90,000,000	184,701,954	274,701,954
BANK OF AMERICA NATIONAL TRUST & SAVINGS ASSO- CIATION	50,000,000	66,845,842	116,845,842
Continental-Illinois National Bank & Trust Company of Chicago	50,000,000	45,086,348	95,086,348
First National Bank of Chicago .	30,000,000	38,952,280	68,952,280
First National Bank of Boston . .	27,812,500	53,406,194	81,218,694
Security-First National Bank of Los Angeles	24,000,000	18,000,000	42,000,000†
Philadelphia National Bank . .	14,000,000	28,290,771	42,290,771
National Bank of Detroit . . .	8,250,000	14,224,204	22,474,204‡
Cleveland Trust Company . .	13,800,000	5,185,315	18,985,315§
Union Trust Company of Pitts- burgh	1,500,000	85,390,805	86,890,805

All figures are as of December 30, 1939

* Not including capital reserves.

† Not including \$8,000,000 preferred stock.

‡ Not including \$9,250,000 preferred stock.

§ Not including \$13,492,000 capital notes.

TABLE 11

EARNINGS AND DIVIDENDS OF LEADING AMERICAN BANKS

	Net Earnings 1939, after all Income & Surplus Ad- justments *	Net per Share in 1939, after all Adjustments	Dividends Paid per share in 1939	Percentage of 1939 Net Paid in Dividends
Chase National Bank of New York	\$13,315,076(a)	\$ 1.80	\$ 1.40	77.8%
National City Bank of New York .	13,663,643(b)	2.20	1.00	45.5%
Guaranty Trust Company of New York	12,693,534	14.10	12.00	85.1%
BANK OF AMERICA NATIONAL TRUST & SAVINGS ASSO- CIATION	12,387,242	3.10	2.40	77.4%
Continental-Illinois National Bank & Trust Company of Chicago	15,874,811	10.58	3.00	28.4%
First National Bank of Chicago .	4,882,226	16.27	8.00	49.0%
First National Bank of Boston . .	5,484,511(e)	2.46	2.00	81.3%
Security-First National Bank of Los Angeles	4,120,000(f)	3.43	2.60	75.8%
Philadelphia National Bank . .	5,564,784	7.95	5.00	62.9%
National Bank of Detroit . . .	2,534,714(c) (f)	3.07	1.00(d)	32.5%
Cleveland Trust Company . .	1,069,352(g)	7.75	2.00	25.7%
Union Trust Company of Pitts- burgh	6,098,845	406.59	206.00	50.5%

* Based on additions to surplus and undivided profits, plus dividends paid.

(a) Allowing for \$5,180,000 for the dividend payable February 1, 1940.

(b) Not including earnings of City Bank Farmers Trust Co.

(c) Allowing for the 10% stock dividend increase in capital funds, and including \$38,125 set aside for retirement of preferred stock.

(d) Also a 10% stock dividend.

(e) Not including earnings of the Old Colony Trust Co.

(f) After preferred dividends.

(g) After interest on capital notes; but including \$73,683. set aside for retirement of Capital notes.



